

52
INCOMING TELEGRAM

Department of State

CS P/Mellen
ACTION COPY
PERMANENT RECORD COPY

39-w

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Action

Control:

1253

Rec'd:

September 2, 1961
8:48 a.m.

E

FROM: DJAKARTA

Info

L

TO: Secretary of State

FE

ICA

NO: 422, SEPTEMBER 2, 11 AM

PC

P

USIA

PRIORITY

INR

AGR

DEPTEL 237.

BOB

COM

FRB

TRSY

WHM

RMR

FOREIGN DEPT STATES UNDERSTANDING US HAD AGREED SUPPLY WHEAT FLOUR TO VALUE \$5 MILLION AND REQUESTS AGREEMENT BE REVISED ACCORDINGLY. FYI BELIEVE GOI RPT GOI WILL SIGN AGREEMENT BASED REFTEL TO AVOID DELAY BUT EMBASSY SUPPORTS REVISION AS REQUESTED BY GOI, IF FEASIBLE. GOI HOPES SIGN LATEST SEPTEMBER 7. ADVISE.

JONES

LM

E MESSAGE CENTER

SEP 2 1961

IN..... CUT

③

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ACTION	ASSIGNED TO	ACTION TAKEN	DATE OF ACTION	DIRECTIONS TO RM/R
	F.O.R. CSD	None necessary	9/14/61	File
NAME OF OFFICER	OFFICE SYMBOL			
	J. H. Hazard			

DECLASSIFIED

Authority NND 949570
By GPO NARA Date 8/4/00

52
INCOMING TELEGRAM

CSDIMELLEN
Department of State
ACTION COPY
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35-M

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Action

Control: 2381
Rec'd: Sept. 5, 1961
10:49 a.m.

E

Info

FROM: DJAKARTA

SS

TO: Secretary of State

L

H

NO: 442, SEPTEMBER 5, 4 PM

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FE

ICA

PC

DEPTEL 237 AND INSTRUCTION A-131

P

USIA

DRAFT NOTE REVISED IN ACCORDANCE CHANGES AUTHORIZED
IN REFTEL AND EMB HAS RECEIVED GOI CONCURRENCE. PLAN
EXCHANGE NOTES 11:00 A.M. DJAKARTA LOCAL TIME FRIDAY
SEPTEMBER 8.

NSC

INR

CIA

NSA

AGR

FIGURES OF \$9,412,000 REPRESENTING NEW TOTALS IN
PARAGRAPHS 2(B) AND 2(C) APPEAR TO BE IN ERROR IN REFTEL
AND WE ARE CHANGING TO \$9,412,500 IN EACH CASE AS DERIVED
BY ADDITION OF \$2,025,000 TO FORMER TOTALS \$7,387,500.

COM

FRB

TRSY

WHM

RMR

STILL AWAITING REPLY EMBTEL 422. WHILE FONDEP HAS
AGREED EXCHANGE NOTES IN ACCORD REF INSTRUCTION, HAS
EXPRESSED INTENT REQUEST SUPPLEMENTARY AGREEMENT FOR
ADDITIONAL \$400,000 WHEAT FLOUR. WHAT ARE DEPARTMENT'S
VIEWS ON SUPPLEMENTARY TO COVER THIS ADDITIONAL AMOUNT?

HENDERSON

RJT

2

MESSAGE CENTER
CONTROL
SEP 5 - 1961
IN SEP 20 1961

FILED
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JAN 2 1962

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NAME OF OFFICER	DATE OF ACTION	DIRECTION	TO RM/R
R. J. Hazard	9/19/61	File	

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Authority NND 949570
By NARA Date 8/4/00

52
OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

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Classification

1961 SEP 5 PM 8 23

01761

Origin ACTION: DJAKARTA
~~SECRET~~
Info: EMTLS: 3185, 328, 422, 442

Review Emtel 3185 and subsequent messages reveals consistent mention
62,000 MT wheat flour.

In view delay necessary consultations would cause if attempt add \$400,000
to program suggest you proceed sign as outlined Emtel 442 and you hereby
authorized to do so. ^{will consider possible supplement later.} Confirm signing priority in clear.

Rusk

RUSK

CLASSIFIED FILE

Drafted by:

FAS:SPhillips/CSD:SPHazard:9/5/61

Telegraphic transmission and

Publication approved by:

E - Edwin M. Martin

Clearances:

CSD:HGabbert

FAS:JKross

OR:HBramble

SPA:ETHrasher

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FORM
2-55 DS-322

S/S-CR

SEP 5 1961

NO FILE

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Authority NND 949570
By CP NARA Date 8/4/00

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

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Amembassy
ACTION: / DJAKARTA
SENYO:
DEPTEL: 237 - 611.9841
Classification
PRIORITY 253

DCT
1961 SEP 6 AM 11
02062

Djakarta 253

New amendments to PL 480 require 2% convertibility proceeds apply both sales as well as loan proceeds from sales and loan agreements completed after August 8. Instruction re provisions loan agreements this point. ~~XXXXXXXXXXXXXXXXXXXX~~ will follow soonest.

Rusk

RUSK

611.9841/9-661

2

CLASSIFIED FILE

Drafted by:
ICA:ASullivan
Clearances:
ICA:DLewis
GSD:GHazard

Telegraphic transmission and classification approved by: OBCSD:Howard M. Gabbert

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FORM 2-59 DS-322

00613

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Authority NND 949570
By GPO NARA Date 8/4/00

INCOMING TELEGRAM

Department of State

ACTION COPY

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43-W
Action
E

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Control: 4294
Rec'd: SEPT. 7, 1961
7:29 a.m.

Info
SS
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BFAC
ICA
PC
P
USIA
INR
AGR
COM
FRB
TRSY
WHM
RMR

FROM: Djakarta
TO: Secretary of State
NO: 460, September 7, 5 P.M.
NIACT
Department telegram 253. ✓

Clarify NIACT, do we exchange notes as approved Department telegram 252? Signing now set for September 8, 11 A.M., Djakarta time.

HENDERSON

LSA

MESSAGE CENTER
CONTROL
SEP 7 - 1961
IN _____ OUT _____

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DEPARTMENT OF
STATE

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ACTION	E	ACTION	E
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NAME OF OFFICER	Hagart CS	DATE OF ACTION	9/8
OFFICE SYMBOL		DIRECTIONS TO RM/R	File

CLASSIFIED FILE

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Authority NND 949570
By GPO NARA Date 8/4/00

52
OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

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Classification

1961 SEP 7 PM 6 10

02985

Origin **ACTION:**
~~SECRET~~ Amembassy DJAKARTA NIACT 257
Info: Entel 460
NIACT

provided
Sign as authorized Deptel 252, GOI agrees in principle to inclusion
2 percent convertibility provision in loan agreement.

Rusk

RUSK

②

Drafted by: OR:CSD:GFHasard: 9/7/61

Telegraphic transmission and
classification approved by: OR:CSD: Howard M. Gabbert

Clearances: SPA:Mr. Thrasher
ICA:Mr. Sullivan
L/E:Mr. Tandler
ICA:Mr. Stewart

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S/S CR
SEP 7 1961 PM 7:00
file

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FORM
2-69 DS-322

00615

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Authority NND 949570
By GPO NARA Date 8/4/00

INCOMING TELEGRAM

Department of State

ACTION COPY

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39-M
Action

Control: 6314
Rec'd: September 9, 1961
9:30 a.m.

E

Info

FROM: Djakarta

SS

TO: Secretary of State

L

H

NO: 465, September 8

FE

BFAC

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PRIORITY

Reference: Department INST A-131-611.9841

Notes amending November 5, 1960 PL-480 agreement and providing for 62,000 tons wheat flour valued at \$5.4 million signed respectively by Charge and Achmad Ponsen, Acting Head Directorate for International Economic Relations, Department of Foreign Affairs, exchanged today at 11:30 a.m. Mr. Ponsen expressed sincere appreciation GOI for prompt US response Indonesia's need this commodity which now in critical short supply and emphasized continuing nature US-Indonesia economic cooperation.

RMR

HENDERSON

MJA=4

NOTE: Mr. Callahan (E) notified 9/9/61 CWO-M.

E MESSAGE CENTER
CONTROL
IN SEP 9 1961

SEP 13 1961

FILED
JAN 23 1962

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Authority NND 949570
By NARA Date 8/4/00

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

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1961 SEP 12 PM 6 28

05691

Origin

Info

ACTION: Amembassy DJAKARTA
INFO: Amembassy SAIGON
Amembassy BANGKOK
Amembassy RANGOON
Ref: Bangkok's 332

Classification

Reappraisal current US rice crop in light Indonesia's urgent requests

discloses possibility offering additional 50,000 MT to GOI to make total of 100,000 MT first year only of proposed three-year agreement.

Since Burma, Thailand and Vietnam unlikely have appreciable quantities of rice for sale Indonesia prior November 1, US shipments would fill immediate GOI needs and not compete with sales next crop year.

Rangoon, Bangkok and Saigon should consult host countries promptly re increased sales figure and report soonest. Djakarta should not repeat not discuss proposed sale with GOI until instructed further.

Rusk

RUSK

611.9841/9-1261

Drafted by:

OR: CSD:GFHazard:had:9/12/61

Telegraphic transmission and classification approved by:

OR: CSD:Howard M. Gabbart

Clearances:

FAS: Mr. Kross
SEA: Mr. Cleveland
SEA: Mr. Ruff
SPA: MR. JARVIS

S/S CR

SEP 12 PM

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Classification

FORM 1-58 DS-322

DECLASSIFIED

Authority NND 949570
By GPO NARA Date 8/4/00

AIR PRIORITY PRIORITY		UNCLASSIFIED (Security Classification)		DO NOT TYPE IN THIS SPACE	
FOREIGN SERVICE DESPATCH				611.9841/9-1261 RR 411.9841	
FROM :	Anembassy DJAKARTA		165 DESP. NO.	SEP 14 1961	
TO :	THE DEPARTMENT OF STATE, WASHINGTON.		September 12, 1961		
For:	Assistant Legal Adviser for Treaty Affairs		DATE		
REF :	Department Instruction A-131, April 28, 1961; EMBTEL 465, September 8				
ACTION		DEPT.			
For Dept.	L-2 *	IN Rm. 2 Rep. 1 ICA-11 * CM-5 INR-7 E-7 FE-4 *			
Use Only	REC'D	OTHER			
9/9		OAR-11 TR-3 CM-6 BOB-1 ASA-1 FRB-3 CIA-10			
SUBJECT: PL-480 Agreement Covering Indonesian Purchase of Wheat Flour					
USIA-10 NW-meg-1					

For the attention of the Assistant Legal Adviser for Treaty Affairs, there are transmitted herewith a certified copy of the Embassy's Note No. 170, and the original of the Department of Foreign Affairs Note No. 1026/61/06 in reply, both dated September 8, 1961, together constituting an Agreement for the sale to Indonesia of wheat flour valued at \$5.4 million. These Notes, signed respectively by the Chargé d'Affaires a.i. and by Mr. Achmad PONSEN, Acting Head of the Directorate for International Economic Relations of the Department of Foreign Affairs, were exchanged on September 8, 1961, at 11:30 a.m. at the Department of Foreign Affairs. This Agreement is in amendment to the PL-480 Agreement with Indonesia entered into on November 5, 1960, as amended March 2, 1961.

Also transmitted herewith are copies of the remarks made by Mr. Ponsen at the time of the exchange, and copies of the Embassy/USIS press release in regard to the Agreement which has appeared widely in both the Indonesian and English language press.

For the Chargé d'Affaires ad interim:

M. R. Rutherford
M. R. Rutherford
First Secretary of Embassy

- Enclosures: *att*
1. Certified Copy of Embassy Note No. 170, September 8, 1961 *Original enclosed 1+2*
 2. Original of Department of Foreign Affairs Note No. 1026/61/06, September 8, 1961 *returned on 4/1 Photostatic*
 3. Mr. Ponsen's remarks (6 copies) *copy, attached*
 4. Embassy/USIS press release (6 copies)

DEPARTMENT OF STATE OFFICE OF THE LEGAL ATTACHE SEP 11 1961 9-27-61	LEGAL ADVISER SEP 20 1961 DEPARTMENT OF STATE	FILED SEP 20 1961 DEPARTMENT OF STATE
MRRutherford:jmf REPORTER	UNCLASSIFIED	

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The action office must return this permanent record copy to DC/R files with an endorsement of action taken.

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Authority NND 949570
By GPO NARA Date 8/4/00

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

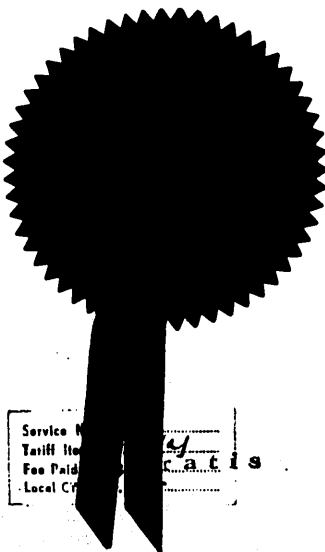
REPUBLIC OF INDONESIA
ISLAND OF JAVA
CITY OF DJAKARTA
EMBASSY OF THE UNITED STATES
OF AMERICA

SS:

I, Jacob Walkin, Consul of the United States of America at Djakarta, Java, Indonesia, duly commissioned and qualified, do hereby certify that the annexed Note No. 170, dated September 8, 1961, from the Charge d'Affaires ad interim of the United States of America to the Acting Head of the Directorate for International Economic Relations of the Department of Foreign Affairs of the Republic of Indonesia, is a true and correct copy of the original, the same having been carefully examined by me and found to agree word for word and figure for figure with the said original..

IN WITNESS WHEREOF I have hereunto set my hand and caused the seal of the Embassy of the United States of America at Djakarta, Java, Indonesia, to be affixed this eighth day of September, 1961.

Jacob Walkin
Jacob Walkin
Consul of the United States of America
at Djakarta, Java, Indonesia.



Service No.	
Tariff Item	
Fee Paid	
Local Charge	

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DECLASSIFIED
Authority *NND 949570*
By *CO* NARA Date *8/4/00*

No. 170

Djakarta, September 8, 1961.

Sir:

I have the honor to refer to the Agricultural Commodities Agreement entered into by our two Governments on November 5, 1960, as amended March 2, 1961, and to the accompanying exchange of notes, as amended, and, in response to the request of the Government of the Republic of Indonesia, to propose that this agreement be further amended as follows:

1. To provide for additional financing by the Government of the United States of America of the following commodity and ocean transportation:

<u>Commodity</u>	<u>Export Market Value</u>
Wheat flour	\$4,600,000
Ocean transportation (Est.)	<u>800,000</u>
Total	\$5,400,000

2. To provide that Indonesian rupiah accruing to the Government of the United States of America as a consequence of sales made pursuant to this amendment will be used by the Government of the United States of America as follows:

Mr. Achmad Ponsen,

Acting Head of the Directorate

for International Economic Relations,

Department of Foreign Affairs,

Djakarta.

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Authority NND 949570
By CD NARA Date 8/4/00

(a) For loans to be made by the Export-Import Bank of Washington under subsection 104(e) of the Agricultural Trade Development and Assistance Act, as amended, (hereinafter referred to as the Act) and for administrative expenses of the Export-Import Bank of Washington in the Republic of Indonesia incident thereto, the Indonesian rupiah equivalent of \$270,000. This increases the total amount indicated in paragraph 1 of Article II of the Agreement to the Indonesian rupiah equivalent of \$1,255,000.

(b) For a loan to the Government of the Republic of Indonesia under subsection 104(g) of the Act, the Indonesian rupiah equivalent of \$2,025,000. This increases the total amount indicated in paragraph 2 of Article II of the Agreement to the Indonesian rupiah equivalent of \$8,412,500.

(c) For a grant to the Government of the Republic of Indonesia under subsection 104(e) of the Act, the Indonesian rupiah equivalent of \$2,025,000. This increases the total amount indicated in paragraph 3 of Article II to the Indonesian rupiah equivalent of \$9,412,500.

(d) For payment of United States expenditures in the Republic of Indonesia under subsections (a), (b), (f), and (h) through (r) of Section 104 of the Act, or under any of such subsections and for other mutually agreed uses under Section 104 of the Act, the Indonesian rupiah equivalent of \$1,080,000. This increases the total amount indicated in paragraph 4 of Article II of the Agreement to the Indonesian rupiah equivalent of \$5,020,000.

It is understood that in the event the total of Indonesian rupiah accruing to the Government of the United States of America as a consequence of sales made pursuant to the Agreement and this amendment is less than the Indonesian rupiah equivalent of \$25,100,000, the

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Authority NND 949570
By GP NARA Date 8/4/00

amount available for expenditures under subsection 104(g) loans and subsection 104(e) grants to the Government of the Republic of Indonesia will be reduced by an equivalent amount and proportionately, between 104(g) loans and 104(e) grants, to the extent that the total exceeds the rupiah equivalent of \$25,100,000, 20 percent of the excess will be available for the use of the Government of the United States of America, 75 percent for loans and grants to the Government of the Republic of Indonesia under subsections 104(g) and 104(e), and 5 percent for loans under subsection 104(e).

3. In order that the delivery of wheat flour under this amendment not unduly disrupt world prices of agricultural commodities, or impair trade relations among friendly nations, the Government of the Republic of Indonesia shall import between January 1, 1961 and March 31, 1962 with its own foreign exchange resources 105,000 metric tons of wheat flour from free world sources. This quantity shall be purchased in addition to those quantities to be obtained pursuant to this amendment.

4. It is further understood that in the notes of November 5, 1960, relating to the conversion of the Indonesian rupiah into other currencies "\$394,000" is deleted and "\$502,000" is substituted therefor.

5. Application for purchase authorizations will be made within 90 calendar days of the effective date of this amendment.

6. Except as otherwise provided herein, the pertinent provisions of the Agreement of November 5, 1960 and the accompanying exchanges of notes, as amended, shall apply to this amendment.

I have the honor to propose that this note and your reply concurring therein shall constitute an Agreement between our two Governments on this matter to enter into force on the date of your note in reply.

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Authority NND 949570
By CP NARA Date 8/4/00

pt; Sir, the renewed assurances of my highest
consideration.

John V. Henderson
Chargé d'Affaires ad interim.

ECON:JWLydman:vf

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Authority NND 949570
By CP NARA Date 8/4/00



DEPARTMENT OF FOREIGN AFFAIRS
REPUBLIC OF INDONESIA

Djakarta, September 8, 1961.-

No. 1026/61/06

Sir:

I have the honour to acknowledge receipt of your note No. 170 dated September 8, 1961, which reads as follows:

"I have the honor to refer to the Agricultural Commodities Agreement entered into by our two Governments on November 5, 1960, as amended March 2, 1961, and to the accompanying exchange of notes, as amended, and, in response to the request of the Government of the Republic of Indonesia, to propose that this agreement be further amended as follows:

1. To provide for additional financing by the Government of the United States of America of the following commodity and ocean transportation:

<u>Commodity</u>	<u>Export Market Value</u>
Wheat flour	\$4,600,000
Ocean transportation (Est.)	<u>800,000</u>
Total	\$5,400,000

2. To provide that Indonesian rupiah accruing to the Government of the United States of America as a consequence of sales made pursuant to this amendment will be used by the Government of the United States of America as follows:

(a) For loan to be made by the Export-Import Bank of Washington under subsection 104(e) of the Agricultural Trade Development and Assistance Act, as amended, (hereinafter referred to as the Act) and for administrative expenses of the Export-Import Bank of Washington in the Republic of Indonesia incident thereto, the Indonesian rupiah equivalent of \$270,000. This increases the total amount indicated in paragraph 1 of Article II of the Agreement to the Indonesian rupiah equivalent of \$1,255,000

Mr. John W. Henderson
Charge d'Affaires a.i.
Embassy of the United States of America,
D j a k a r t a.-

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Authority NND 949570
By CP NARA Date 8/4/00



2.-

DEPARTMENT OF FOREIGN AFFAIRS
REPUBLIC OF INDONESIA

(b) For a loan to the Government of the Republic of Indonesia under subsection 104(g) of the Act, the Indonesian rupiah equivalent of \$2,025,000. This increases the total amount indicated in paragraph 2 of Article II of the Agreement to the Indonesian rupiah equivalent of \$9,412,500.

(c) For a grant to the Government of the Republic of Indonesia under subsection 104(e) of the Act, the Indonesian rupiah equivalent of \$2,025,000. This increases the total amount indicated in paragraph 3 of Article II to the Indonesian rupiah equivalent of \$9,412,500.

(d) For payment of United States expenditures in the Republic of Indonesia under subsections (a), (b), (f), and (h) through (r) of Section 104 of the Act, or under any of such subsections and for other mutually agreed uses under Section 104 of the Act, the Indonesian rupiah equivalent of \$1,080,000. This increases the total amount indicated in paragraph 4 of Article II of the Agreement to the Indonesian rupiah equivalent of \$5,020,000.

It is understood that in the event the total of Indonesian rupiah accruing to the Government of the United States of America as a consequence of sales made pursuant to the Agreement and this amendment is less than the Indonesian rupiah equivalent of \$25,100,000, the amount available for expenditures under subsection 104(g) loans and subsection 104(e) grants to the Government of the Republic of Indonesia will be reduced by an equivalent amount and proportionately between 104(g) loans and 104(e) grants; to the extent that the total exceeds the rupiah equivalent of \$25,100,000, 20 percent of the excess will be available for the use of the Government of the United States of America, 75 percent for loans and grants to the Government of the Republic of Indonesia under subsections 104(g) and 104(e), and 5 percent for loans under subsection 104(e).

3. In order that the delivery of wheat flour under this amendment not unduly disrupt world prices of agricultural commodities, or impair trade relations among friendly nations, the Government of the Republic of Indonesia shall import between January 1, 1961 and March 31, 1962 with its own foreign exchange resources 105,000 metric tons of wheat flour from free world sources. This quantity shall be purchased in addition to those quantities to be obtained pursuant to this amendment.

4. It is further understood that in the notes of November 5, 1960, relating to the conversion of the Indonesian rupiah into other currencies "\$394,000" is deleted and "\$502,000" is substituted therefor.

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Authority NND 949570
By GPO NARA Date 8/4/00



3.-

5. Application for purchase authorizations will be made within 90 calendar days of the effective date of this amendment.

6. Except as otherwise provided herein, the pertinent provisions of the Agreement of November 5, 1960 and the accompanying exchanges of notes, as amended, shall apply to this amendment."

I have the honour to confirm, on behalf of my Government, that your note and this note in reply concurring therein, constitute an Agreement between our two Governments on this matter, to enter into force on this date.

I avail myself of this opportunity to renew the assurance of my high consideration.-



Achmad Ponsen,
Acting Head, Directorate for
International Economic Relations.-

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Authority NND 949570
By CP NARA Date 8/4/00

Enclosure No. 4 to Desp. 165
from Djakarta, September 12, 1961

WHEAT FLOUR FROM U.S.

DJAKARTA, September 8 : -- A total of 62,000 tons of wheat flour will be provided to Indonesia by the United States under the SAC program. Deliveries will begin soon.

The flour is valued at 5.4 million dollars, including the cost of ocean freight.

This brings to 173.4 million dollars the total amount of agricultural products, primarily rice, to be supplied to Indonesia by the United States under the three Surplus Agricultural Commodities (SAC) agreements concluded by the two nations since 1956.

The wheat flour was agreed upon in an exchange of notes September 8 between the Indonesian Department of Foreign Affairs and the American Embassy. Principal representatives of the two governments present at the exchange were : Achmad Ponsen, Acting Head, Directorate for International Economic Relations, Dept. of Foreign Affairs; and John Henderson, Charge d'Affaires ad interim, American Embassy.

These notes amended for a second time the Third SAC agreement which was signed between Indonesia and the United States on November 5, 1960.

In its original form, the Third SAC agreement called for 75,000 tons of rice and other commodities with a total value of 16 million dollars. An amendment March 2, 1961, raised the total rice to be delivered under the agreement to 105,000 tons. There has been no change in other commodities. Wheat flour was not included in the original agreement. The total value of the Third SAC agreement, including the two amendments, is now 25.1 million dollars.

Payment for the wheat flour will be made by Indonesia in rupiahs, thus saving foreign exchange. From this payment, the United States will make a grant to Indonesia of 2,025,000 dollars worth of rupiahs for economic development

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Authority NND 949570
By CP NARA Date 8/4/00

REMARKS OF MR. ACHMAD PONSEN, ACTING HEAD,
DIVISION OF FOREIGN ECONOMIC RELATIONS, DEPT.
OF FOREIGN AFFAIRS ON OCCASION OF WHEAT FLOUR
AMENDMENT, SEPTEMBER 8, 1961

Encl #3
2-165 LR
Bjork
61.984/9-1261

Mr. Charge d'Affaires,

We have just concluded an Exchange of Notes which provides the possibility for the Republic of Indonesia to purchase wheat flour from the United States against rupiahs, based on the provisions of the Surplus Agricultural Commodities Agreement of 5th September, 1960 between the Republic of Indonesia and the United States of America

Although the amount involved -- \$5,400,000, including ocean transportation, for the purchase of 62,000 tons -- is relatively small for the United States, this assistance has a special significance in that it has been extended at a time when the need for wheat flour is very pressing.

The quick decision to assist Indonesia in this matter, taken by the U.S. Government with the assistance of the state of the U.S. Embassy here, clearly demonstrates that, in the right spirit of co-operation, fast decisions can be made for the benefit of the overall relationship between our two countries.

I hope that such an attitude will prevail in all future dealings between us.

0 0 6 2 8

DECLASSIFIED
Authority NND 949570
By GPO NARA Date 8/4/00

Enclosure No. 3 of Despatch 165
from Djakarta, September 12, 1961

REMARKS OF MR. ACHMAD PONSEN, ACTING HEAD,
DIVISION OF FOREIGN ECONOMIC RELATIONS, DEPT.
OF FOREIGN AFFAIRS ON OCCASION OF WHEAT FLOUR
AMENDMENT, SEPTEMBER 8, 1961

Mr. Charge d'Affaires,

We have just concluded an Exchange of Notes which provides the possibility for the Republic of Indonesia to purchase wheat flour from the United States against rupiahs, based on the provisions of the Surplus Agricultural Commodities Agreement of 5th September, 1960 between the Republic of Indonesia and the United States of America

Although the amount involved -- \$5,400,000, including ocean transportation, for the purchase of 62,000 tons -- is relatively small for the United States, this assistance has a special significance in that it has been extended at a time when the need for wheat flour is very pressing.

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I hope that such an attitude will prevail in all future dealings between us.

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DECLASSIFIED
Authority NND 949570
By GA NARA Date 8/4/00

let #4
D-165
Jakarta

WHEAT FLOUR FROM U.S.

DJAKARTA, September 8 : -- A total of 62,000 tons of wheat flour will be provided to Indonesia by the United States under the SAC program. Deliveries will begin soon.

The flour is valued at 5.4 million dollars, including the cost of ocean freight.

This brings to 173.4 million dollars the total amount of agricultural products, primarily rice, to be supplied to Indonesia by the United States under the three Surplus Agricultural Commodities (SAC) agreements concluded by the two nations since 1956.

The wheat flour was agreed upon in an exchange of notes September 8 between the Indonesian Department of Foreign Affairs and the American Embassy. Principal representatives of the two governments present at the exchange were : Achmad Ponsen, Acting Head, Directorate for International Economic Relations, Dept. of Foreign Affairs; and John Henderson, Charge' d'Affaires ad interim, American Embassy.

These notes amended for a second time the Third SAC agreement which was signed between Indonesia and the United States on November 5, 1960.

In its original form, the Third SAC agreement called for 75,000 tons of rice and other commodities with a total value of 16 million dollars. An amendment March 2, 1961, raised the total rice to be delivered under the agreement to 105,000 tons. There has been no change in other commodities. Wheat flour was not included in the original agreement. The total value of the Third SAC agreement, including the two amendments, is now 25.1 million dollars.

Payment for the wheat flour will be made by Indonesia in rupiahs, thus saving foreign exchange. From this payment, the United States will make a grant to Indonesia of 2,025,000 dollars worth of rupiahs for economic development

0 0 6 3 0

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Authority NND 949570
By CP NARA Date 8/4/00

purposes. An equal amount will be made available for loans for this same purpose.

These are the usual arrangements under SAC agreements.

Since 1956, the three SAC agreements, together with the amendments, have thus made available to Indonesia for rupiahs a total of 173.4 million dollars worth of agricultural commodities. This has included 500,000 tons of rice.

In addition, when all transactions are completed, the equivalent of 120.7 million dollars worth of rupiahs will have been made available to Indonesia in the form of loans and grants for economic development purposes. These rupiahs will have been earned in Indonesia by the United States as a result of the sale here of the SAC agricultural commodities.

WHamilton/USIS-USOM liaison/9/7/61

EConlon/CIO,USIS/9/7/61

SKalish/DPAO,USIS/9/7/61

RRutherford/Econ.Sect.,Embassy/9/7/61

APonsen/Econ.Direct.,Dept. For.Affairs/9/8/61

Rotty/Inform.Direct.,Dept.For.Aff./9/8/61

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Authority AND 949570
By GP NARA Date 8/4/00

Enclosure No. 4 to Desp. 165
from Djakarta, September 12, 1961

WHEAT FLOUR FROM U.S.

DJAKARTA, September 8 : -- A total of 62,000 tons of wheat flour will be provided to Indonesia by the United States under the SAC program. Deliveries will begin soon.

The flour is valued at 5.4 million dollars, including the cost of ocean freight.

This brings to 173.4 million dollars the total amount of agricultural products, primarily rice, to be supplied to Indonesia by the United States under the three Surplus Agricultural Commodities (SAC) agreements concluded by the two nations since 1956.

The wheat flour was agreed upon in an exchange of notes September 8 between the Indonesian Department of Foreign Affairs and the American Embassy. Principal representatives of the two governments present at the exchange were : Achmad Ponsen, Acting Head, Directorate for International Economic Relations, Dept. of Foreign Affairs; and John Henderson, Charge d'Affaires ad interim, American Embassy.

These notes amended for a second time the Third SAC agreement which was signed between Indonesia and the United States on November 5, 1960.

In its original form, the Third SAC agreement called for 75,000 tons of rice and other commodities with a total value of 16 million dollars. An amendment March 2, 1961, raised the total rice to be delivered under the agreement to 105,000 tons. There has been no change in other commodities. Wheat flour was not included in the original agreement. The total value of the Third SAC agreement, including the two amendments, is now 25.1 million dollars.

Payment for the wheat flour will be made by Indonesia in rupiahs, thus saving foreign exchange. From this payment, the United States will make a grant to Indonesia of 2,025,000 dollars worth of rupiahs for economic development

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Authority NND 949570
By GPO NARA Date 8/4/00

- 2 -

purposes. An equal amount will be made available for loans for this same purpose.

These are the usual arrangements under SAC agreements.

Since 1956, the three SAC agreements, together with the amendments, have thus made available to Indonesia for rupiahs a total of 173.4 million dollars worth of agricultural commodities. This has included 500,000 tons of rice.

In addition, when all transactions are completed, the equivalent of 120.7 million dollars worth of rupiahs will have been made available to Indonesia in the form of loans and grants for economic development purposes. These rupiahs will have been earned in Indonesia by the United States as a result of the sale here of the SAC agricultural commodities.

WHamilton/USIS-USOM liaison/9/7/61

EConlon/CIO,USIS/9/7/61

SKalish/DPAO,USIS/9/7/61

RRutherford/Econ.Sect.,Embassy/9/7/61

AFonsen/Econ.Direct.,Dept. For.Affairs/9/8/61

Rotty/Inform.Direct.,Dept.For.Aff./9/8/61

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Control: 8758
Rec'd: September 13, 1961
2:20 p.m.

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Info

FROM: DJAKARTA

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TO: Secretary of State

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RMR

NO: 489, SEPTEMBER 13, 3 PM

REFERENCE: DEPTTEL 986, 1734

ACCORDING ACTING FOREIGN AID CHIEF, DEPT FOR AFFAIRS,
THREE-YEAR PL 480 AGREEMENT TO BE DISCUSSED
INTERDEPARTMENTAL MEETING EARLY OCTOBER. AT THAT TIME WILL
GIVE APPROVAL OR COUNTER-PROPOSALS PLUS POSSIBLE REQUEST
INCLUSION TOBACCO. QUESTIONS AGAIN RAISED RE POSSIBILITY
1) EXTENSION LOAN REPAYMENT SCHEDULE TO 70 YEARS, 2) REDUCTION
INTEREST RATE TO 2-1/2 PERCENT, AND 3) OVER-ALL DEPOSIT
RATE AT OR CLOSE TO RUPIAH 45. PREVIOUS DEPT REPLIES SAME
QUESTIONS CONTAINED DEPTTEL 986 GIVEN OFFICIALS BUT PONSEN IN
VISIT WASHINGTON IN APRIL (DEPTTEL 1734) REPORTS HE
DETECTED CHANGES IN ABOVE POLICIES.

FOR PURPOSE FORESTALL POSSIBLE NEEDLESS DELAYS NEGOTIATIONS
WOULD APPRECIATE STATEMENT. DEPARTMENT POSITION THESE QUESTIONS
FOR BENEFIT GOI, PARTICULARLY FOR INTERDEPARTMENTAL MEETING
NOTED PREVIOUSLY.

HENDERSON

RJT

SEP 13 1961
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1961 SEP 18

PM 5 21

09050

Djakarta 297

Origin

~~SECRET~~

ACTION: Amembassy DJAKARTA

297

Info:

JOINT STATE ICA TREASURY AGRICULTURE MESSAGE

Your 489

Loan, interest rate and deposit rate policies remain as outlined Deptel 1734 as explained hereunder. Creation of spread between foreign currency loan terms and cost of funds borrowed by U.S. contrary to current policy. To accede host country request would bring about criticism at home of Title I programs and engender suspicion among other agricultural exporting nations.

Furthermore, revision current policy would bring forth multitude requests for amendments existing loan agreements and for scaling down interest rates. Such action would also invite pressures to soften terms other U.S. loan assistance programs.

Consensus interested agencies not to consider more favorable rate than that offered W-3 and Deptel 1882. Continue hope GOI may be persuaded agree as indicated Embtel 3311.

Agreeable to consider reasonable amount tobacco on three year basis. Embassy should cable amounts requested by GOI.

(2)

Drafted by:

SWPhillips/FAS 9/14/61

Telegraphic transmission and classification approved by:

OPR: DCT: E. Newton
Agr.: C.R. Donovan

Clearances:

PMO'Leary/FAS
G. Hazard (CSD) - State
R. Cheney (FN) - State
E. Thrasher (SPA) - State

P. Nelson - Treas.
W. Durso - ICA
P. Campbell - ICA

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By *CP* NARA Date *8/4/00*

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

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Classification

08317

Origin
Info:

ACTION: Ambassador SAIGON

Embels 78 and 219

Inform-GVN we expect authorize signature Title I PL 480 agreement with Indonesia near future covering CV 1962, 1963, 1964. Agreement will provide 50,000 MT rice each year with ~~xxxx~~ ^{first} year's supply not to be shipped until after X August 1, 1962. Usual marketing requirement will be 650,000 MT per year. In view difficulties Indonesia has been experiencing obtaining adequate quantities rice from traditional Southeast Asia suppliers and GVN's concurrence recent short-term PL 480 rice sale Indonesia (Embtel 375), we do not expect this decision cause serious problems for GVN. In any case, you should assure GVN we prepared consult it each year on usual marketing levels. You may also wish inform GVN both Thailand and Burma have concurred in proposed multi-year program.

RUSK

2

Drafted by: OR: CSD: CGPetrov: CGP

Telegraphic transmission and classification approved by: OR: CSD: Howard M. Gabbert

Clearence: FAS: Mr Kross CGP

SEA: Mr Ruff CGP

TF/VN: Mr Spurgin CGP

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FORM DS-322 8-61

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Action

Control:

13708

Rec'd:

September 20, 1961

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Info

FROM: DJAKARTA

9:05 a.m.

SS

TO: Secretary of State

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NO: 542, SEPTEMBER 20, 4 PM

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AGRICULTURAL ATTACHE CALLED TO FOREIGN OFFICE SEPT 20 TO RECEIVE GOI EMERGENCY REQUEST FOR 100,000 MT RICE AND \$400,000 WHEAT FLOUR AS SUPPLEMENT NOV. 5 PL 480 AGREEMENT. WHEAT FLOUR WOULD REPRESENT BALANCE GOI \$5.0 MILLION REQUEST WHICH WAS NOT INCLUDED SEPT EXCHANGE NOTES (DEPTEL 252).

GOI OFFICIALS SAID RICE REQUEST WHICH MOST URGENT ORIGINATED WITH ACTING PRESIDENT AND FIRST MINISTER LEIMENA WHO ALSO HEADS FOOD BOARD. GOI REQUESTS EXCHANGE NOTES SOONEST TO PERMIT FIRST SHIPMENT RICE NOT LATER THAN NOVEMBER AND COMPLETE SHIPMENT BY YEAR END. RICE WOULD MEET SHORT FALL UNTIL INDONESIA'S MAIN RICE CROP AVAILABLE IN MARCH AND NEW CROP SOUTHEAST ASIAN RICE IMPORTS RECEIVED. OFFICIALS ASK SPECIAL CONSIDERATION ON HUMANITARIAN GROUNDS. ACCORDING LEIMENA THREE FACTORS CONTRIBUTE TO CURRENT RICE SHORTAGE: 1) CURRENT CENSUS REVEALED GOI UNDERESTIMATED POPULATION WHICH NOW THOUGHT TO BE OVER 100 MILLION; HENCE, INSUFFICIENT RICE IMPORTED. 2) RICE GROWERS HOARDING RICE AS HEDGE AGAINST INFLATION AND POSSIBLE MONETARY CHANGES. LEIMENA ORDERED PROCUREMENT 30 PERCENT 1961 RICE CROP BUT ONLY 12 PERCENT PROCURED. 3) CURRENT DROUGHT ADVERSELY AFFECTING SECOND RICE CROP AND IN ADDITION MAKING FARMERS MORE CAUTIOUS ABOUT RELEASING RICE.

WHEN QUERIED ABOUT AVAILABILITIES SOUTHEAST ASIAN RICE, OFFICIALS SAID BURMA COULD OFFER ONLY OFF COLOR, UNSUITABLE RICE; THAILAND HAD MADE NO OFFER SUPPLY RICE; VIETNAM COULD NOT SUPPLY. BRAZIL COULD SHIP ONLY 50,000 TONS OF RECENT 100,000 PURCHASE BUT PERHAPS NEXT MONTH COULD SHIP BALANCE; EVEN THEN GOI URGENTLY NEEDS MORE RICE.

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By GPO NARA Date 8/4/00

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-2- 542, SEPTEMBER 20, 4 PM FROM: DJAKARTA

OFFICIALS FELT REQUEST AS SUPPLEMENT TO THIRD PL 480 AGREEMENT QUICKER THAN IF PART MULTI-YEAR PL 480 AGREEMENT (DEPT IN-STRUCTION W-3) AND STILL MAINTAINED THEIR REQUEST WHEN ATTACHE POINTED OUT RUPIAH 56.25 DEPOSIT RATE APPLICABLE, HENCE MORE EXPENSIVE RUPIAH RICE THAN IN MULTI-YEAR PROGRAM. ATTACHE URGED PROMPT CONCLUSION NEGOTIATIONS MULTI-YEAR PROGRAM WHICH ENSURED 50,000 TONS RICE AND MORE IF AVAILABLE (IN VIEW DEPTTEL 273 BUT CONTENTS NOT REVEALED GOI).

COMMENTS: EMBASSY CONFIRMS PRESENT RICE SHORTAGE. OBVIOUS FROM SKYROCKETING PRICES AND SUSTAINED DROUGHT THAT GOI FACES SERIOUS RICE SHORTAGE. REGRETTABLE GOI HAS NOT ACTED EARLIER ON WHAT MOST OBSERVERS REGARDED AS HANDWRITING ON WALL AT LEAST A MONTH AGO. THIS ACTION POSSIBLY DELAYED BY EFFORTS AGRICULTURE MINISTRY MINIMIZE PROBLEM, PROBABLY TO MAINTAIN FICTION OF PROGRESS TOWARDS GOAL SELF-SUFFICIENCY. URGENT TOP LEVEL MEETINGS LAST FEW DAYS, HOWEVER, HAVE FINALLY RESULTED IN ADMISSION OF FACTS.

REASONS GIVEN BY LEIMENA PLAUSIBLE BUT WOULD LIST AS ADDITIONAL CONTRIBUTING FACTORS LACK OF RICE RESERVES, FAULTY DISTRIBUTION, SLOW PURCHASE AND RECEIPT OF IMPORTS, AND LACK INCENTIVE TO FARMERS TO STIMULATE PRODUCTION AND FACILITATE GOVERNMENT PROCUREMENT RICE.

EMBASSY RECOMMENDS URGENT FAVORABLE CONSIDERATION GOI REQUEST.

JONES

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Authority UDD 949570
By GP NARA Date 8/4/00

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

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Classification

1961 SEP 22 PM 9 35

12308

ACTION:

SENDER: Amembassy, DJAKARTA

PRIORITY 321

INFO: Amembassy, BANGKOK

Djakarta's 542; Bangkok's 405 391

Origin

Info:

Believe would be prejudicial US rice program offer Indonesia additional 50,000 MT Title I PL-480 rice from 1961 US rice crop until current Thai-Indonesia talks on new sales contract reported Bangkok's 405 concluded, since do so would provide GOT opportunity charge US offer exploited By Indonesians to improve bargaining position in talks with Thais. This consistent with general understandings reached in SEA rice meeting last January.

In view urgency Indonesian need for PL-480 rice reported Djarkata's 542, believe Embassy Djakarta should conclude agreement soonest with GOI on initial offer 50,000 MT. Washington agencies prefer supply rice for immediate need under multi-year program rather than as amendment November 5, 1960, agreement. Thus rapid conclusion negotiations multi-year program essential..Appears 104(e) grant only remaining unsettled problem these negotiations. (Were unable discuss grant problem with Subandrio during his visit here.) Therefore we wish propose signature agreement without grant component with understanding agreement could be subsequently amended include grant if GOI so requested and if reasons therefor sufficient justify necessary waiver. Feel certain Embassy Djakarta will concur in need meet GOI rice needs

Drafted by: OR:CSD:CGPetrov:9/22/61

FAS:SPhillips

Telegraphic transmission and classification approved by:

OR:CSD:Howard M. Gabbart

Clearances:

FAS:Mr. O'Leary

SPA:Mr. Jarvis

ICA:Mr. Burgess

SEA:Mr. Ruff

BOD:Harvey

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FORM 2-59 DS-322

SEP 22 1961 PM

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Authority NND 949570
By NARA Date 8/4/00

Page 2 of telegram to Amembassy, DJAKARTA

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IN sensitivities
in two stages in view Thai ~~sensitivities~~. Embassy should avoid further discussions
with GOI on second 50,000 MT rice at this time.

Separate message on wheat flour follows.

BOWLES *Handwritten*
Acting BOWLES

REF ID: A66111X CONFIDENTIAL
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Authority NND 949570
By CP NARA Date 8/4/00

PRIORITY		LIMITED OFFICIAL USE (Security Classification)		DO NOT TYPE IN THIS SPACE	
FOREIGN SERVICE DESPATCH				611.9841/9-2261 CSD, [Signature]	
FROM :	Amembassy, DJAKARTA	197	DESP. NO.		
TO :	THE DEPARTMENT OF STATE, WASHINGTON.	September 22, 1961		DATE	
REF :	Dept. Instruction W-3	SEP 22 1961			
For Dept. Use Only	ACTION E-7 REC'D 9-30	DEPT. IN F O	REP-1 RM/R-2 FE-4 L-2 ICA-11 INR-7 AGR-10 Com-10 TR-3 DLF-7		
SUBJECT: Negotiations on Multi-year PL 480 Program					

Acting Economic Director Ponsen, Dept. of Foreign Affairs, asked Embassy Officer attend meeting September 20 to continue negotiations multi-year PL 480 program. Ponsen explained that presentation of draft agreement as contained in referenced instruction untenable as 1) size in comparison to \$275 million request denotes failure on his part and 2) a three-year program totaling less than Indonesia's first PL 480 program of \$96 million for one year seems to imply the U.S. has lost interest in Indonesia. He stated he could not face the humiliation of presenting draft agreement to his superiors.

He suggested the agreement definitely remain a multi-year (three-year) program but actual quantities be specified for only the first year. The following additional changes in the draft agreement are requested by GOI:

Fifth paragraph of preamble: Change calendar years to 1962, 1963 and 1964.

Article I: 1) After "for Indonesian rupiah," delete down through the first sentence of paragraph 2 and insert "of rice, cotton, wheat flour, tobacco, dairy products and fruit products during calendar years 1962, 1963 and 1964. The following agricultural commodities in the amounts indicated are to be financed under this agreement for calendar year 1962:

"Commodity	Export Market Value (millions)
Rice	\$ 5.5
Cotton (domestic processing)	8.4
Cotton (third country processing)	25.0
Wheat flour	5.0
Tobacco	5.0
Fruit Products	0.3
Dairy Products	0.5
Ocean transportation	4.0
Total	\$ 53.7

AGRIC: COWinberg:vf

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Page 2 of
Encl. No. 197
Desp. No.
From Djakarta

"2. Applications for purchase authorizations for the above listed commodities, plus certain ocean transportation, will be made within 90 calendar days after the effective date of this agreement for procurement during calendar 1962.

The amounts of rice, cotton, wheat flour, tobacco, fruit products and dairy products for subsequent years will be determined on the basis of annual review to be made by the two Governments prior to the beginning of calendar years 1963 and 1964. "

OK In Article II, delete "3".

OK In Article II, change "4" to "3". and change "42-1/2" to "85".

In Enclosure No. 3, section 3, fourth line, delete after the word "during" until end of paragraph and insert:

"Calendar 1962 indicated as follows:

Rice 650,000 MT
Wheat flour 80,000 MT"

In Enclosure No. 3, section 3, second paragraph, second line, after "United States" delete rest of sentence and in the following sentence to the words "on the basis" and insert "during calendar 1962. Usual commercial imports for agricultural commodities for calendar 1963 and calendar 1964 will be determined. "

OK Enclosure No. 3, section 3, third paragraph, third line, delete "free world sources" and insert "sources friendly to the United States. "

Fourth line: Change 1961 to 1962.

Enclosure No. 4, delete the second paragraph and insert "It is the understanding of the Government of the United States that rupiah deposits shall be made at the Bank of Indonesia's selling rate for U.S. dollars, or rupiah 45.2815 per U.S. dollar. "

GOI reasons and explanations for various changes are:

Rice: Hopeful that quantity shown is minimum and, if possible, show 50,000 MT plus.

Cotton (direct shipment): Their spinning mills have given assurance they can handle \$8.4 million raw cotton, plus 17,000 bales U.S. usual commercial imports in 1962.

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Page 3 of
Encl. No.
Desp. No. 197
From Djakarta

Cotton (third country processing): Claim they can handle \$25 million between Japan, Hong Kong and Singapore in calendar 1962.

Wheat flour: Claim can utilize \$5.0 plus carryover normal marketing assurance of \$2.0 from calendar 1961 (must be purchased prior end March) plus usual commercial imports of 80,000 metric tons from sources friendly to U.S. They state usual commercial imports of 105,000 MT unrealistic.

Tobacco: They roughly estimate tobacco at \$5.0 as can utilize almost any quantity. Would more be available on an annual basis?

Fruit products: Needed for Asian Games in calendar 1962. Would be mainly canned fruits but possibly dried fruits, but not dates which must come from Iraq for religious purposes, even though poor quality.

Dairy products: Needed for Asian games and would include dried whole milk and cheese. Agricultural Attache explained that whole milk would include a usual commercial import requirement. Officials replied they would guarantee to import same dairy imports (main sources -- Australia and Denmark) as in calendar 1960 and calendar 1961. (The average of the two years.)

Deposit rate: Pressed for Rupiah 45 rate throughout and said it seemed odd that the U.S. was quoting a "transfer tax" which the U.S. has specifically informed GOI (during request for conversions of currencies in earlier agreements) that U.S. not required to pay such taxes. Begin FYI: If U.S. to insist on multiple deposit rate, perhaps could state rupiah rate for U.S. uses omitting references to taxes. End FYI. Ponsen pointed out that USSR uses the official rate of Rupiah 45.

Loans: At time of meeting Leimena was Acting President and is otherwise Acting First Minister. Ponsen said Leimena is adhering to previous instructions from Sukarno that Indonesia would accept no grants of funds generated from the sale of commodities to Indonesia for rupiah. Unless the President changes this ruling, it will be necessary to delete all reference to grants in the agreement. Ponsen again said that if Indonesia does not accept any grants, GOI should then receive more liberal loan terms. It was explained to him that it was GOI who was refusing what the U.S. was offering and the offer still held. Ponsen said he felt that he could 'sell' his Government on the loan terms contained in draft agreement, especially if the U.S. would concede to some of Indonesia's other requests. He said that the loan terms for Indonesia should not be less favorable than those given India in the latter's four-year program. He asked for not less favorable DLF terms than in the Indian loan agreement. Ponsen concluded that the draft loan agreement (Enclosure No. 5 to referenced instruction) would therefore have to be revised from 42-1/2 percent to 85 percent.

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Page 4
Encl. No. 197
Desp. No. Djakarta
From

Food reserves: Ponsen noted wheat and rice reserves clauses in Indian multi-year agreement and asked for a 200,000 metric ton annual rice reserve for Indonesia.

Poultry Products: If offered, the GOI may be interested in about \$200,000 for poultry products for the Asian Games in 1962.


COMMENTS: The Embassy feels that this new Indonesian proposal to specify quantities for only the first year of the three-year program has merit. This will remove the dilemma that has prevented GOI from accepting the draft agreement.

^{er}
Furth/consultations at the highest level in the Government could result in the inclusion of rupiah grants and the Embassy is hopeful that this may come about within the next few weeks but, in the meantime, grants cannot be considered.

The financing of dairy products, fruit products and possibly poultry products under this program could be considered at least a partial contribution by the U.S. to GOI's efforts towards the Asian Games. In addition, the use of these commodities as foodstuffs for the many visitors to the Asian Games has a definite market development aspect.

The Embassy strongly recommends that the proposals outlined above be given urgent and favorable consideration.

FOR THE AMBASSADOR:


M. R. Rutherford
First Secretary of Embassy

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By GPO NARA Date 8/4/00

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Department of State

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FROM: Djakarta

TO: Secretary of State

NO: 556, September 22, 5 p.m.

Reference: Instruction W-3.

Negotiations September 20 on draft agreement resulted several GOI counter proposals which reached today (Embassy despatch 197). Proposals include maintenance multi-year program but specifies quantity of commodities for calendar 1962 only. Program years now 1962, 1963, and 1964. Total value first year \$53.7 million including \$4.0 million ocean transportation. Commodities in million dollars: Rice 5.5; cotton (domestic processing) 8.4; cotton (third country processing) 25.0; wheat flour 5.0; tobacco 5.0; fruit products 0.3; dairy products 0.5. Deletion all references to grants. Loans increased to 85 percent. Deposit rate for all uses rupiah 45.2815 per dollar. Requested rice reserve (same as multi-year Indian program) of 200,000 tons.

Control: 16325

Rec'd: SEPT. 23, 1961
9:12am

Djakarta 556

Enl. 9841/9-2261

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By [Signature] NARA Date 8/4/00

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Department of State

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SENT TO: Amembassy DJAKARTA
Your 556, 571, D-197

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Page 1 of Pages

CIA-16
AGR-20
TAR-2
TR-5

Recognized here shipments not likely arrive before January. Must be emphasized is important sign this Agreement in CY 1961 as Title I financial authorization for this year cannot be carried into 1962. Deliveries over subsequent years not affected.

Cannot agree specify CY 1962 commodity amounts and leave open those for subsequent years. Since PL 480 specified maximum world-wide annual financial authorization, individual sales agreements must specify total U.S. financial obligation. To specify CY 62 amounts only would mean a one-year program. This does not exclude possibility amending quantities specified for second third years in light later data.

No objection to deletion 1961, and adding 1964 in preamble and Article I, para 1. Delete last 5 words Article I, para 2 and last 10 words of sentence which follows. In Enclosure #3 of W-3 replace 1961, 1962, and 1963 with 1962, 1963 and 1964 in paragraph to do with 104(h) convertibility. Add 1964 and delete 1961 in para 3 with respect to rice and cotton usual marketings. Change in section 3, Enclosure #3 of W-3 proposed D-197 re usual marketings not acceptable because in multi-year program, quantities and usual marketing requirements each year must be specified. Wheat flour usual marketings must be 105,000 MT per year in CY 1962, 1963 and 1964. Make appropriate change in paragraph 3 of Enclosure #3 to W-3.

On commodities: Current U.S. cotton outlook makes it difficult consider increases over W-3. Recommend GOI accept offer and we will review in spring 1962 with view to amendment. Tobacco \$5 million acceptable. However, willing program up to \$15 million basis three years if GOI wishes. Request you ascertain. Dairy products not possible without a substantial usual marketing requirement in view record substantial hard currency purchases. See page 4 of W-3. Request you specify fruit desired by GOI. Value \$250,000 appears excessive in light of recent import data. As in case of dairy products, usual marketing requirements may make Title I impracticable. Not possible program rice

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Dated by: FAS:Mr. Rollison
OR:CSO:CGPatron

Airgram transmission and classification approved by: E - Philip H. Trease

Comments: SPA:Mr. Thresher
L/E:Mr. Tendler
ED:Mr. Schweisser

ICA:Mr. Campbell
FW:Mr. Cheney
ICA:Mr. Burgess
CSD:Mr. Gabbard
OR:Mr. Brannen
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Authority NND 949570
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Page 2 of AIRGRAM No. A-33, To Ambassy DJAKARTA

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for reserve purposes because of limited supply and other commitments. Wheat flour \$5.0 million 1962, 1963 and 1964 acceptable providing GOI will agree on usual marketings specified above. Inclusion poultry products requires clearances, which being sought.

In Enclosure #3, Section 3, third paragraph, delete "free world sources (other than the US under PL 480)" and insert "countries friendly to the United States of America (including the United States of America)".

Changes in Article II to eliminate grant and increase 104(g) loan to 85 percent approved.

On deposit rate: must insist on 90 rate for US uses. However, have no objection to omission reference to transfer tax. Change lines 5 through 7 of second paragraph enclosure #4 to read "shall be made at the rate of rupiah 90.28125". Change 45.2815 in last line second paragraph to 45.28125. This corrects typographical error. For sake of symmetry, delete words "Bank of Indonesia's selling rate for dollars or" in lines 9 and 10 of second paragraph and substitute "rate of".

Instruction listing changes required amendments PL 480 being transmitted separately.

RUSK

Rusk
BOWLES
ACTING
(SEE PAGE 1
FOR INITIALS)

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RMR

FROM: DJAKARTA

TO: Secretary of State

NO: 571, SEPTEMBER 25, 4 P.M.

REFERENCE: EMBTEL 556.

RE INDO COUNTER PROPOSALS ON DRAFT MULTI-YEAR PL 480 AGREEMENT
(INSTRUCTION W-3) GOI REQUESTS THAT THE VALUE OF FRUIT PRODUCTS
BE REVISED FROM \$300,000 TO \$250,000 AND DAIRY PRODUCTS
FROM \$500,000 TO \$250,000.

JONES

OKY

SAFETY CONTROL
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1961 SEP 26 AM 7 55

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FROM: DJAKARTA

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TO: Secretary of State

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NO: 576, SEPTEMBER 26, 5 PM

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PRIORITY

NSC

ACTION DEPARTMENT 576, INFORMATION BANGKOK 11.

INR

DEPTEL 321. 611.9841

CIA

APPRECIATE PROMPT RESPONSE.

NSA

WE RECOGNIZE PROBLEM GOT AND NECESSITY OUR PL-480 SALES TO
INDONESIA NOT INTERFERE WITH THAI COMMERCIAL SALES.

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MUST POINT OUT, HOWEVER, PRESENT GOI REQUEST FOR 100,000 TONS IS
BASED ON EXPECTATION SHORTAGES OF CRISIS PROPORTIONS BY END OF
YEAR IF SUFFICIENT IMPORTS NOT RECEIVED. GOI IS EXPECTING
OUR RESPONSE TO BE ON HUMANITARIAN GROUNDS AND TO FORESTALL
SERIOUS INTERNAL DEVELOPMENTS.

RMR

EMBASSY URGES DEPT CONSIDER POSSIBILITY MEETING GOI REQUEST AS
AMENDMENT TO NOV. 5, 1960 AGREEMENT, OUT OF CONTEXT OF MULTI-
YEAR PROGRAM WHICH GOI ITSELF NOW PROPOSING BEGIN
CALENDAR YEAR 1962 (EMBTel 556).

GOI HAS ALREADY MET USUAL COMMERCIAL IMPORT REQUIREMENTS THIS
YEAR AND GOT CANNOT RPT NOT IN GOOD FAITH OBJECT PL-480 SALES,
ON HUMANITARIAN GROUNDS. THIS PARTICULARLY TRUE IF THAI RICE
NOT AVAILABLE FOR IMMEDIATE SHIPMENT.

JONES

BHH

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Djakarta 341

Origin

ACTION: Amembassy DJAKARTA

PRIORITY

INFO: Amembassy BANGKOK

Djakarta's 576 (rptd info Bangkok 11) and 589

Info:

US position on PL 480 rice sales to Indonesia stated Deptel 321 not intended rule out offer additional 50,000 MT but merely postpone until appropriate moment for approach to Thais. Therefore, that position not incompatible with considerations cited refuels.

Seeking clarification Thais' position urgently (Deptel 409 to Bangkok rptd info Djakarta 332). Nonetheless, in view urgency Indonesia's need and since some delay inevitable in consulting Thailand, continue believe wisest course is to reach agreement soonest on multi-year program with provision 50,000 MT rice first year so shipments can begin earliest possible moment. Agreement can be amended subsequently and quickly to add additional 50,000 MT.

You should resume negotiations this basis immediately. Will forward views on points contained Embtels 556 and 571 soonest. ROWLES

*Bowles
Arling
(A.P.)*

611.9841/9-2661

(3)

Drafted by: OR:CSD:CGPetrof:bad:9/28/61

Telegraphic transmission and classification approved by:

FE - Avery F. Peterson

Clearances:

FAS:Mr. Kross
SPA:Mr. Emmons
SPA:Mr. Jarvis

SPA:Mr. Thrasher
SEA:Mr. Ruff
ICA:Mr. Durso

FE-Mr. Matlock

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FROM: DJAKARTA

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TO: Secretary of State

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NO: 589, SEPTEMBER 28, 5 PM

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NIACT

EMBTel 542, DEFTel 321.

ACTING FIRST MINISTER LEIMENA TODAY MADE URGENT PERSONAL PLEA TO ME FOR FAVORABLE RESPONSE TO GOI REQUEST FOR 100,000 TONS PL 480 RICE. SAID SUSTAINED DROUGHT HAD CAUSED SERIOUS SITUATION AND GOI ESTIMATED THAT CROP WOULD BE CUT BY 50,000 HECTARES. WAS URGENT GOI RECEIVE RICE BETWEEN NOW AND JANUARY IF SERIOUS FOOD SHORTAGE TO BE AVERTED. LEIMENA SAID RJKI PREPARING TO EXPLOIT RICE SHORTAGE AND UNLESS SITUATION COULD BE RAPIDLY AMELIORATED MIGHT WELL BE ABLE SERIOUSLY EMBARRASS GOVERNMENT. LEIMENA MADE CLEAR HIS PERSONAL POSITION AND PRESTIGE WAS AT STAKE. UNLESS HE ABLE TO HANDLE RICE SHORTAGE, COMMIES WOULD HAVE FIELD DAY.

LEIMENA WAS DEADLY SERIOUS. I HAVE NO DOUBT WHAT HE SAID IS TRUE AND THAT HE WAS NOT CRYING "WOLF." I HAVE PERSONALLY RECENTLY FLOWN OVER MOST OF WEST AND CENTRAL JAVA AND SEEN MILE AFTER MILE OF BROWN DRY PADDY WHICH NORMALLY AT THIS TIME OF YEAR IS LUSH AND GREEN.

A RAPID AFFIRMATIVE RESPONSE WILL NOT ONLY GIVE SUPPORT TO ONE OF THE BEST FRIENDS WE HAVE BUT WILL ALSO HAVE TELLING EFFECT ON SUKARNO WHO ALSO PUBLICLY COMMITTED BRING RELIEF IN RICE SITUATION. FINALLY, OF COURSE, AND IN FINAL ANALYSIS MOST PERSUASIVE FACT IS THAT PEOPLE WILL NOT EAT UNLESS THERE IS RICE.

MEM

NOTE: Advance copy Mr. Patrow (E) 9/28/61

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Control: 20263

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FROM: DJAKARTA

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TO: Secretary of State

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NO: 597, SEPTEMBER 29, 9 AM

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DEPTEL 45, EMBTEL 302

AMBASSADOR RAISED QUESTION GRANTS VERSUS LOANS WITH ACTING FIRST MINISTER LEIMENA SEPTEMBER 28 REVIEWING HISTORY THIS PROBLEM ARISING PRESIDENT SUKARNO'S STATEMENT SOME TIME AGO INDONESIA NO LONGER WILLING ACCEPT GRANTS. AMBASSADOR POINTED OUT REASONS FOR GRANTS IN PAST AND PRESENT PROGRAMS REPRESENTED EFFORT ON PART US GOVT BE HELPFUL IN REDUCTION GOI FINANCIAL BURDEN DEBT SERVICING. AMBASSADOR TOLD LEIMENA US MILITARY AID PROGRAM TO INDONESIA MIGHT ALSO BE VIEWED AS "DISGUISED GRANT" SINCE GOI WAS ASKED PAY ONLY SMALL FRACTION OF REAL VALUE OF EQUIPMENT AND SERVICES SUPPLIED. REMINDED LEIMENA THAT US GOVT IN PRINCIPLE ALSO PREFERS LOANS TO GRANTS BUT PURPOSE OF GRANTS WAS SOLELY TO HELP GOI EXTENT FEASIBLE AND IF CONTINUATION GRANTS ALONG WITH LOANS ACCOMPLISHED SUCH PURPOSE, WE PREPARED RECOMMEND TO WASHINGTON.

LEIMENA RECALLED HE WAS PRESENT WHEN PRESIDENT MADE STATEMENT ON GRANTS AND SAID CONFIDENTIALLY PRESIDENT PROBABLY UNAWARE FULL IMPLICATION OF POSITION HE ASSUMED. REMINDED AMBASSADOR OF INDONESIAN PETITION PREVIOUSLY TRANSMITTED TO US GOVT THROUGH FONSEC, NAMELY GOI WOULD PREFER HAVE SAC RUPIAHS SOLELY ON LOAN BASIS IF PERIOD OF LOANS COULD BE LENGTHENED AND RATE OF INTEREST BROUGHT DOWN.

LEIMENA UNDERSTOOD US GOVT NOT PREPARED MEET THIS REQUEST IN VIEW OF LEGISLATIVE REQUIREMENTS AND REPERCUSSIONS WORLD WIDE PROGRAM. LEIMENA STATED IF THIS CONFIRMED. GOI WOULD REQUEST CONTINUATION OF GRANTS BUT ON "DISGUISED" BASIS.

AMBASSADOR

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G. Thacker
10/2/61
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Djakarta 597

611.9841/9-2561

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Authority NND 949570
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-2- 597, SEPTEMBER 29, 9 AM, FROM DJAKARTA

AMBASSADOR TOLD LEIMENA HE WOULD ONCE AGAIN REQUEST WASHINGTON CONSIDER ACTION LONG-TERM LOANS AT LOW INTEREST RATES AS PREVIOUSLY REQUESTED BY GOI, BUT THAT IF SUCH CONTINUED TO BE IMPOSSIBLE IN VIEW OF LEGISLATIVE REQUIREMENTS, EXPRESSED OPINION THAT FUTURE GRANT AGREEMENTS COULD BE MADE ON CONFIDENTIAL BASIS. LEIMENA BELIEVED THIS WOULD MEET REQUIREMENTS AND NOTED PUBLIC REFERENCE TO ANY NEW PL 480 AGREEMENT COULD BE RESTRICTED TO GROSS VALUE OR PERCENTAGE OF SALES FUNDS ALLOCATED TO INDONESIAN USES, OMITTING DETAILS WHETHER LOANS OR GRANTS.

WOULD APPRECIATE SOONEST DEPARTMENT'S VIEWS WHETHER FRUITFUL RE-OPEN CONSIDERATION EXTENDING LONGER TERM LOANS AT LOW INTEREST RATES TO INDONESIA (DEPTEL 297). IF NOT, DEPARTMENT'S COMMENTS WOULD BE WELCOMED ON SUGGESTION MEET LEIMENA'S REQUIREMENTS BY EXCHANGING NOTES ON AGREEMENT ON CONFIDENTIAL BASIS.

JONES

LM

DEPARTMENT OF STATE
1961 SEP 29 AM 9 17
BUREAU OF
FAR EASTERN AFFAIRS

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611.9841/9-2961

Origin
Info

ACTION: Amembassy DJAKARTA

345

Extels 556 and 597

Following is position Washington agencies on points raised reftels re deposit rate and loan terms: 1) Deposit rate: regret unable modify position stated Deptel 297. You might wish point out to GOI this position represents significant departure from previous US position requiring rate generally applicable to imports. Split rate with 85-15 currency distribution gives weighted average rate of 52.0315, as compared 56.25 rate of previous agreements. 2) Loan terms: for reasons stated Deptel 297, impossible authorize loan re-payment period beyond forty years or interest rate less than 4 percent. Cannot accept proposal re inclusion grant component on confidential basis. If GOI unwilling accept grant provision in published text of agreement, you should negotiate agreement with 85 percent 104(g) loan component with understanding re subsequent amendment to include grant, as proposed Deptel 321.

Separate message follows on commodity proposals contained Extels 556 and 571. Will also forward soonest revised language required by recent amendments PL 480.

BOWLES

BOWLES

ACTING

Handy by Cld

(2)

Drafted by:

OR: CSD: CGP: *Cld* 9/29/61

Telegraphic transmission and classification approved by:

OR: CSD: *Handy by Cld* Howard M. Gabbert

Clearences:

FAS: Mr. Kross *Cld*
FM: Mr. Cheney *Cld*
ICA: Miss Thompson *Cld*
EPA: Mr. Thresher *Cld*

in S/S-CR
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